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## India

## Cotton and Products

## August Update

## 2004

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**Report Highlights:**

Post's estimate for India's 2004/05 cotton production is lower at 15.2 million bales (170 kg) from 8.2 million hectares due to the lack of monsoon rains in July. Imports are expected to rise to 2.0 million bales on tight domestic supplies.

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**Section I: Situation and Outlook**

Note: All figures in the text are in 170 kg bales unless otherwise stated.

**New Crop Prospects Adversely Affected As Monsoon Fails**

The weak monsoon in July has led to a drought-like situation in many cotton growing areas, and has adversely affected the 2004/05 cotton crop. Production is expected to decline to 15.2 million bales (includes 1.1 million bale of loose cotton), and cotton area is estimated lower at 8.2 million hectares.

After early arrival of the southwest monsoon, which brought good rains in the month of June, further monsoon activity faltered in July. Rainfall has been particularly scanty in the central (Gujarat, Maharashtra, and Madhya Pradesh) and northern (Punjab, Haryana, and Rajasthan) states and in parts of Andhra Pradesh (see IN4075). Planting in the rainfed cotton growing areas of central India has been delayed by 2-3 weeks due to scanty rains during most of July. The monsoon has been satisfactory in the southern states of Karnataka, Tamil Nadu, and most of Andhra Pradesh, where planting has been progressing well under adequate moisture availability. The standing crop in central and north India urgently requires more rains, and any revival of monsoon activity before the second week of August will support crop prospects. Although a clearer picture of the impact of impending monsoon failure on MY 2004/05 cotton production will emerge only by the end of August, Post estimates production to decline to 15.2 million bales, down 12 percent from last year (see table-3 for breakout by states).

Central Region (Gujarat/Maharashtra/Madhya Pradesh)

Planting in the largely rainfed cotton belt of central India started on an optimistic note with the onset of early monsoon showers in mid-June, but since has progressed in spurts following the occasional monsoon showers. Sources report that planting has almost stalled since the second week of July. Dry conditions have also affected seed germination and the establishment of seedlings in some pockets. There is an immediate need for additional rains in the next two weeks to aid additional planting and the healthy growth of the standing crop. A continuing dry spell may force the farmers to shift to shorter duration crops like small millets, castor, and forage crops. Although planting of some late season varieties may continue until the end of August, the cotton area in central region is estimated lower at 4.8 million hectares.

Northern Region (Punjab/Haryana/Rajasthan)

Cotton planting in the largely irrigated northern region occurred on schedule (early June). The provisional planting estimates from the state agriculture departments indicate a 15 percent increase in cotton area over last year. The pre-monsoon showers in June augmented irrigation supplies, and crop germination and growth conditions were ideal. Although the crop in most of the region is facing moisture stress due to insufficient rains in July, there is no crop loss. The problem is particularly bad in Haryana and Rajasthan, where the farmers have been unable to irrigate the crop due to the lack of both canal water and power supplies for ground water pumping. Although evidence of pests (heliethis, white flies, bollworms) exists, there are no reports of any damage, as the dry weather conditions have been unfavorable for the pests. September weather will be crucial in determining the crop's yield and quality, as rains and overcast conditions can foster the spread of heliethis and boll worms, which can affect early pickings.

Southern Region (Andhra Pradesh/Karnataka/Tamil Nadu)

Cotton planting has been progressing quite well in the southern region with adequate moisture availability except for some pockets in Andhra Pradesh. Market sources report that almost 70 percent of the planting is over, and that the cotton area may increase by 18 percent over last year's level. However, some parts of Andhra Pradesh need more rains to support additional planting and crop growth.

**Cotton Prices Rise**

With the likelihood of drought threatening the upcoming Indian cotton crop, domestic prices for most varieties (see table 4) have started rising during July, and are expected to firm up further during August. Prices are expected to remain strong during most of MY 2004/05 due to an expected short crop, but international cotton prices will guide the movement of domestic prices.

**2004/05 Import Prospects Improve**

MY 2004/05 imports are expected higher at 2.0 million bales, and exports are expected lower at 100,000 bales on expected tight domestic supplies. The drought will not only affect crop size, but also the quality of cotton during the upcoming season. Consequently, many local mills (specially export oriented units) will have to augment their quality cotton requirement with imports.

Market sources report a buying spurt by the local mills over the past 3-4 weeks, with about 200,000 bales of cotton contracted for imports for delivery through October. While most mills may prefer to wait another 2-3 weeks before they reassess their supply situation, some mills have started covering cotton for October, on account of expected late domestic arrivals. Although the volume of overall imports during MY 2004/05 will depend on the relative prices of local cotton vis-à-vis international cotton, expected higher domestic prices of local cotton and the lack of availability of quality domestic cotton is expected to push imports to 2.0 million bales.

**2003/04 Production Revised Up, Area Down**

MY 2003/04 production is revised higher to 17.2 million bales (including 1.1 million bales of loose cotton), based on the latest estimates of market arrivals to date. Area is lowered marginally to 7.9 million bales, based on the provisional estimates provided by the Ministry of Agriculture. These estimates are subject to further revisions.

Market arrivals through July 17, 2004, reached 16.98 million bales, compared to 13.50 million bales for the corresponding period last year. Arrivals by state (in million bales) with previous year figures in parentheses, are: Punjab 1.03 (0.8); Haryana 1.09 (0.85); Rajasthan 0.75 (0.45); Gujarat 4.97 (3.05); Maharashtra 3.07 (2.40); Madhya Pradesh 1.60 (1.80); Andhra Pradesh 2.60 (2.00); Karnataka 0.37 (0.55); Tamil Nadu 0.30 (0.35); Others 0.10 (0.10); and loose cotton 1.10 (1.15). The continued arrivals of summer cotton from the South and some additional arrivals in the North and Maharashtra should take 2003/04 production to 17.2 million bales.

## Section II: Statistical Tables

Table 1: Commodity, Cotton (Metric Tons), PSD

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES)	(METRIC TONS)				
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Aug-02		Aug-03		Aug-04	(MONTH/YEAR)
Area Planted	7600000	7572000	8000000	7900000	8500000	8200000	(HECTARES)
Area Harvested	7600000	7572000	8000000	7900000	8500000	8200000	(HECTARES)
Beginning Stocks	1116066	1116066	782074	782073	836505	886514	METRIC TONS
Production	2307901	2307901	2873991	2924000	2721582	2584000	METRIC TONS
Imports	264755	264755	195954	195954	261272	340000	METRIC TONS
<b>TOTAL SUPPLY</b>	<b>3688722</b>	<b>3688722</b>	<b>3852019</b>	<b>3902027</b>	<b>3819359</b>	<b>3810514</b>	METRIC TONS
Exports	10886	10886	119750	119750	21773	17000	METRIC TONS
USE Dom. Consumption	2664070	2664070	2663050	2663050	2728181	2728181	METRIC TONS
Loss Dom. Consumption	231692	231693	232713	232713	232900	232900	METRIC TONS
TOTAL Dom. Consumption	2895762	2895763	2895763	2895763	2961081	2961081	METRIC TONS
Ending Stocks	782074	782073	836505	886514	836505	832433	METRIC TONS
<b>TOTAL DISTRIBUTION</b>	<b>3688722</b>	<b>3688722</b>	<b>3852018</b>	<b>3902027</b>	<b>3819359</b>	<b>3810514</b>	METRIC TONS

Note: Production figures for MY 2002, 2003 and 2004 include 1.15 million bales (170 kg), 1.1 million bales and 1.1 million bales of loose cotton respectively.

Table 2: Commodity, Cotton (480 lb bales), PSD

<b>PSD Table</b>							
<b>Country:</b>	India				Conversion	0.00459	
<b>Commodity:</b>	<b>Cotton</b>						
		<b>2002</b>		<b>2003</b>		<b>2004</b>	UOM
	Old	New	Old	New	Old	New	
<b>Market Year Begin</b>		08/2001		08/2002		08/2003	(MONTH/YEAR)
Area Planted	7600000	7572000	8000000	7900000	8500000	8200000	(HECTARES)
Area Harvested	7600000	7572000	8000000	7900000	8500000	8200000	(HECTARES)
Beginning Stocks	5126	5126	3592	3592	3842	4072	1,000 480lb bales
Production	10600	10600	13200	13430	12500	11868	1,000 480lb bales
Imports	1216	1216	900	900	1200	1562	1,000 480lb bales
<b>TOTAL SUPPLY</b>	<b>16942</b>	<b>16942</b>	<b>17692</b>	<b>17922</b>	<b>17542</b>	<b>17501</b>	1,000 480lb bales
Exports	50	50	550	550	100	78	1,000 480lb bales
USE Dom. Consumption	12236	12236	12231	12231	12530	12530	1,000 480lb bales
Loss Dom. Consumption	1064	1064	1069	1069	1070	1070	1,000 480lb bales
TOTAL Dom. Consumption	13300	13300	13300	13300	13600	13600	1,000 480lb bales
Ending Stocks	3592	3592	3842	4072	3842	3823	1,000 480lb bales
<b>TOTAL DISTRIBUTION</b>	<b>16942</b>	<b>16942</b>	<b>17692</b>	<b>17922</b>	<b>17542</b>	<b>17501</b>	1,000 480lb bales

Note: Production figures for MY 2002, 2003 and 2004 include 1.15 million bales (170 kg), 1.1 million bales and 1.1 million bales of loose cotton respectively.

**Table 3: Area, Production & Yield of Cotton in Major States**

(Area 000 ha; Production 000 bales of 170 kgs, Yield Kgs/ha)

						Final	Provisional	Revised	Revised
STATE		1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Maharashtra	Area	3139	3199	3254	3077	2980	2799	2765	2600
	Production	2150	2650	3650	2050	3425	2400	3100	2200
	Yield	116	141	191	113	195	146	191	144
Gujarat	Area	1519	1607	1516	1615	1687	1498	1650	1600
	Production	4200	4750	2850	2400	3250	3050	5000	3500
	Yield	470	502	320	253	328	346	515	372
Madhya Pradesh	Area	517	501	525	506	623	550	575	600
	Production	2250	1875	1550	1750	2000	1800	1600	1600
	Yield	740	636	502	588	546	556	473	453
Punjab	Area	727	562	475	474	600	425	450	550
	Production	725	500	800	900	925	800	1050	1150
	Yield	170	151	286	323	262	320	397	355
Haryana	Area	638	582	546	555	610	535	510	610
	Production	900	700	1050	1000	550	850	1100	1200
	Yield	240	204	327	306	153	270	367	334
Rajasthan	Area	645	645	583	510	347	335	440	450
	Production	1100	1150	1300	1050	700	450	750	600
	Yield	290	303	379	350	343	228	290	227
Andhra Pradesh	Area	898	1278	1040	1022	1002	900	780	900
	Production	2550	2500	2200	2500	2675	2000	2600	2500
	Yield	483	333	360	416	454	378	567	472
Karnataka	Area	518	608	600	560	591	362	495	600
	Production	750	875	800	800	700	600	400	750
	Yield	246	245	227	243	201	282	137	213
Tamil Nadu	Area	247	243	185	193	200	115	180	220
	Production	500	550	550	550	500	400	400	500
	Yield	344	385	505	484	425	591	378	386
Others	Area	56	62	67	64	90	53	55	70
	Production	100	125	150	100	75	100	100	100
	Yield	304	343	381	266	142	321	309	243
All-India	Area	8904	9287	8791	8576	8730	7572	7900	8200
	Production	15225	15675	14900	13100	14800	12450	16100	14100
	Yield	291	287	288	260	288	280	346	292

Note: Production figures for 1997/98 –2004/05 in the PS&amp;D includes loose cotton estimates.

**Table 4: Month End Prices of Popular Varieties**  
(Rupees per Metric Tons)

Year	Bengal	S.G.J.	H- 4	Shankar- 6	MCU- 5	DCH- 32
	Deshi	F- 34	M.P.	Gujarat	A.P.	South
2002/03						
Aug	39930	41060	49210	51740	61580	81830
Sept	38520	40490	47800	50050	59610	77330
Oct	41620	43330	48930	50620	63270	78740
Nov	41060	46680	49770	52020	63270	80980
Dec	36840	46400	49490	52870	64680	83800
Jan	34590	46400	50620	53990	64680	82950
Feb	38810	52300	56240	59050	65520	88280
Mar	38240	55680	58210	61860	67490	87720
Apr	41620	59050	61020	63560	68330	87160
May	40490	58210	59050	61860	69740	88000
Jun	40770	59050	60740	63000	70300	88560
Jul	41060	61020	62710	63560	71710	91360
Avg Price	39463	50806	54483	57015	65848	84726
2003/04						
Aug	39090	60460	61580	63540	68900	87560
Sept	37970	59060	63820	65520	70300	87180
Oct	39090	60460	61580	63540	68900	87560
Nov	37110	55960	58220	61320	65540	87990
Dec	39630	57920	61300	63840	66100	85750
Jan	42740	62420	64940	67480	71410	91390
Feb	43860	59050	62980	66080	70290	88590
Mar	44420	59900	62140	66640	70290	85790
Apr	43590	59900	62140	65800	71700	85790
May	44430	61580	62710	67490	71700	85790
Jun	45560	59060	62150	65800	71710	85790
Jul	48370	60740	62710	66370	71710	85790
Avg Price	42155	59709	62189	65285	69879	87081

Source: East India Cotton Association, Mumbai.